



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

MAR 22 2007

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

DOCKETED BY

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IN THE MATTER OF THE APPLICATION OF
DONEY PARK WATER COMPANY FOR
APPROVAL OF FINANCING.

DOCKET NO. W-01416A-06-0719

DECISION NO. 69385

ORDER

Open Meeting
March 13 and 14, 2007
Phoenix, Arizona

BY THE COMMISSION:

On November 13, 2006, Doney Park Water Company ("Applicant" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for the issuance of long-term debt.

On December 18, 2006, the Company filed certification that it provided notice to its customers of its financing application on December 2, 2006. In response thereto, the Commission has received no comments on Applicant's proposed financing.

On February 2, 2006, the Commission's Utilities Division ("Staff") filed its Staff Report, recommending the Company's financing application be approved.

* * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. Pursuant to authority granted by the Commission, Applicant is a member-owned Arizona non-profit corporation engaged in the business of providing water service to approximately 3,300 customers in the Doney Park area northeast of Flagstaff, Coconino County, Arizona.

1 2. Applicant's present rates and charges for water were approved in Decision No. 58752
2 (September 1, 1994).

3 3. On November 13, 2006, the Company filed an application requesting approval of
4 long-term debt in an amount of \$1,530,000 with a loan from the Industrial Development Authority
5 ("IDA") of Coconino County.

6 4. On December 2, 2006, Applicant provided notice to its customers of its financing
7 application by publication in a newspaper of general circulation in Coconino County and, in response
8 thereto, no protests have been received by the Commission opposing Applicant's proposed request
9 for financing approval.

10 5. Staff conducted an investigation of Applicant's proposed long-term financing and
11 filed its Staff Report on the Company's financing application request on February 2, 2007.

12 6. According to the Staff Report, Applicant is in compliance with its Commission
13 compliance action filings and prior Commission Orders. Additionally, Applicant is current on the
14 payment of its taxes and is providing water which meets the requirements of the Safe Drinking Water
15 Act.

16 7. According to the Company's application, it is requesting the Commission's approval
17 to borrow \$1,530,000, from the Coconino IDA in order to fund the drilling of two new wells and to
18 construct related plant facilities, to interconnect them with its existing system and to pay related
19 financing costs.

20 8. The new wells are necessary to offset low production by two of the Company's six
21 existing wells.

22 9. The Company's six wells produce 1,675 gallons of water per minute ("GPM") and the
23 Company has storage capacity of 4.497 million gallons, which normally meets customer demand.

24 10. However, the Company experiences difficulty in maintaining tank pressure and water
25 availability during periods of peak demand usually between Memorial Day and the Fourth of July.

26 11. Additionally, the Company has a water supply agreement with the U.S. Forest Service
27 requiring the Company to maintain adequate capacity for summer fire-fighting.
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1 12. According to the Staff Report, the Company experiences numerous low pressure
2 problems during periods of peak demand even when its existing wells are pumping at full capacity,
3 and the two new wells will enhance the Company's ability to meet higher than normal demand which
4 is placed on the system in the summer.

5 13. Staff states that the Company indicates the proposed debt will be secured by general
6 revenue and its assets will not be encumbered.

7 14. The proposed long-term financing will be repaid over 15 years at 1.05 basis points
8 above the Treasury bond rate.

9 15. Based on a projected interest rate of 5.85 percent, the Company estimated monthly
10 payments of \$12,787, which can be readily paid from the Company's operating income and its funds
11 raised from its Development Fee for each new connection authorized by the Commission in Decision
12 No. 54298 (December 31, 1984).

13 16. According to Staff, the Company's cash flow will provide Applicant with a Times
14 Interest Earned Ratio ("TIER") of negative 1.55 and Debt Service Coverage ("DSC") of 3.10. This is
15 sufficient cash flow to support the Company's total debt request.

16 17. Staff states that a DSC greater than 1.0 or more indicates sufficient cash to cover debt
17 obligations.

18 18. Based on the Staff Report, the Company's DSC represents the number of times
19 internally generated cash will cover required principal and interest payments on long-term debt.

20 19. According to the Staff Report, the TIER represents the number of times earnings will
21 cover interest expense on long-term debt. A TIER greater than 1.0 means that operating income is
22 greater than interest expense. A TIER less than 1.0 is not sustainable in the long term, but does not
23 necessarily mean that debt obligations cannot be met in the short term.

24 20. The Company indicates that its Development Fee is producing \$136,000 a year with
25 an average of 68 new connections a year and this sum can also be utilized to help meet debt
26 obligations. Additionally, the Company projects an annual growth rate of 120 new customers a year
27 for the next five years.

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21. Staff found the two new wells for the Company's system to be reasonable and necessary. Staff is recommending approval of the Company's application herein for the issuance of debt in the amount of \$1,530,000 subject to the terms and conditions described in the application.

22. Staff further recommended:

- that long-term debt be authorized not to exceed \$1,530,000 from the IDA;
- that the Company engage in any transactions and execute any documents to effectuate the authorizations requested with the application; and
- that the Company, file within 60 days of the effective date of this Decision, with the Commission's Docket Control, as a compliance item in this docket, copies of all notes and other documents related to the transaction.

23. Because an allowance for the property tax expense of Applicant is included in the Company's rates and will be collected from its customers, the Commission seeks assurances from the Company that any taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has come to the Commission's attention that a number of water companies have been unwilling or unable to fulfill their obligation to pay the taxes that were collected from ratepayers, some for as many as twenty years. It is reasonable, therefore, that as a preventive measure the Company shall annually file, as part of its annual report, an affidavit with the Utilities Division attesting that the company is current in paying its property taxes in Arizona.

24. Under the circumstances herein, we find further that the financing application should be approved subject to Staff's recommendations in an amount not to exceed \$1,530,000.

CONCLUSIONS OF LAW

1. Applicant is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-301, and 40-302.

2. The Commission has jurisdiction over Applicant and the subject matter of the application.

3. Notice of the application was provided in the manner prescribed by law.

4. Staff's recommendations, as set forth in Findings of Fact No. 22 are reasonable and should be adopted.

1 5. The proposed long-term financing is for lawful purposes within Applicant's corporate
2 powers, is compatible with the public interest, with sound financial practices and the proper
3 performance by Applicant of service as a public service corporation, and will not impair Applicant's
4 ability to perform that service.

5 6. The financing approved hereinafter is for the purposes stated in the application and is
6 reasonably necessary for those purposes, and such purposes are not, wholly or in part, reasonably
7 chargeable to operating expenses or to income.

8 7. Based on our findings and in light of Staff's recommendations, no hearing is
9 necessary.

10 **ORDER**

11 IT IS THEREFORE ORDERED that Doney Park Water Company be, and the same hereby is,
12 authorized to issue long-term debt in an amount not to exceed \$1,530,000 for a term of 15 years at no
13 greater rate of interest than 5.85 percent per annum.

14 IT IS FURTHER ORDERED that Doney Park Water Company is hereby authorized to
15 engage in any transactions and to execute any documents necessary to effectuate the authorization
16 granted hereinabove and file, within 60 days of the effective date of this Decision, with the
17 Commission's Docket Control, as a compliance item in this docket, copies of all executed loan
18 documents certifying that the transactions have been completed.

19 IT IS FURTHER ORDERED that such authority shall be expressly contingent upon Doney
20 Park Water Company using the proceeds for the purposes set forth in the application.

21 IT IS FURTHER ORDERED that approval of the financing set forth hereinabove does not
22 constitute or imply approval or disapproval by the Commission of any particular expenditure of the
23 proceeds derived thereby for purposes of establishing just and reasonable rates.

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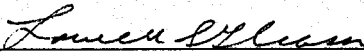
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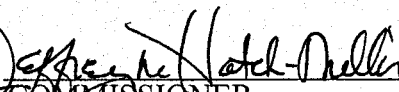
IT IS FURTHER ORDERED that Doney Park Water Company shall annually file as part of its annual report, an affidavit with the Utilities Division attesting that the Company is current in paying its property taxes in Arizona.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.


BY ORDER OF THE ARIZONA CORPORATION COMMISSION.


CHAIRMAN



COMMISSIONER


COMMISSIONER


COMMISSIONER


COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 22nd day of March, 2007.


BRIAN C. McNEIL
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

1 SERVICE LIST FOR: DONEY PARK WATER COMPANY

2 DOCKET NO.: W-01416A-06-0719

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